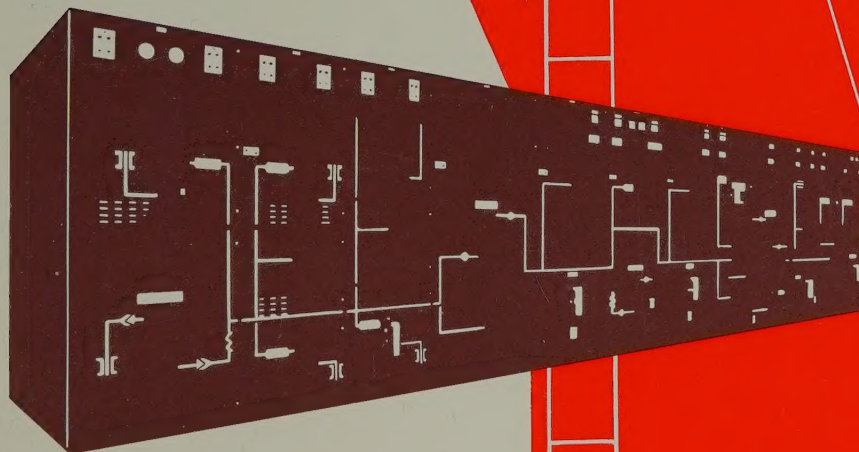


1978 Annual Report

AR42



FEDERAL
PIONEER

FEDERAL PIONEER LIMITED

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The Annual Meeting

of the shareholders of Federal Pioneer Limited is to be held in the Oak Room of the Inn on the Park, Eglinton Avenue East at Leslie Street, Toronto, Ontario, Canada on Wednesday, the 25th day of April, 1979 at the hour of 11:00 o'clock in the forenoon (E.S.T.).

Cover

Depicted in silhouette form are two of the larger items of equipment manufactured by your Corporation in Canada – a 500 KV Generator Transformer and superimposed thereon an Indoor Low Voltage Power Circuit Breaker Switchboard.

Shareholders:

	Number of Shareholders	Number of Shares
First preference shares, Series A:		
Residents of Canada	37	904
Class A Shares:		
Residents of Canada	514	495,553
Residents of U.S.A.	6	*708,349
Residents of Other Countries	1	1
	521	1,203,903
Class B Shares:		
Residents of U.S.A.	1	†22,508
	559	

* Including 706,549 owned by Parent Company Federal Pacific Electric

† All owned by Parent Company Federal Pacific Electric

Si vous désirez recevoir ce rapport annuel en français veuillez vous adresser à:

Le Secrétaire
Federal Pioneer Limited
19 Waterman Avenue
Toronto, Ontario
M4B 1Y2

Financial Highlights

	December 31		Change
	1978	1977	
	\$	\$	%
Net sales	<u>112,617,341</u>	112,195,355	+ 0.4
Income before income taxes and minority interests	11,566,812	13,160,007	- 12.1
Net income for the year	<u>7,027,738</u>	<u>8,008,353</u>	- 12.2
Net income per sales dollar (cents)	6.2	7.1	- 12.7
Earnings per Class A and B share:			
Undiluted	<u>5.76</u>	<u>7.01</u>	- 17.8
Fully diluted	5.71	6.51	- 12.3
Dividends declared:			
First preference shares	4,803	58,533	- 91.8
Class A shares	1,056,469	781,208	+ 35.2
Class B shares	19,807	57,019	- 65.3
	<u>1,081,079</u>	<u>896,760</u>	+ 20.6
Purchases of property, plant and equipment during the year	1,997,131	1,530,309	+ 30.5
Depreciation provided for the year	1,602,388	1,659,568	- 3.4
Working capital at end of year	52,775,795	45,699,598	+ 15.5
Shareholders' equity at end of year	57,312,200	51,365,541	+ 11.6
Equity per Class A and B share at end of year after allowing for conversion of all outstanding first preference shares	46.59	41.76	+ 11.6

Report to the Shareholders



While the results achieved in the past year were slightly less than those of 1977, they do represent a reasonable attainment considering the overlying economic difficulties which prevailed.

Spending for business expansion in almost every industrial segment, as well as construction generally, remained at a low level throughout the year and resulted in intense competition for the relatively small amount of available business for shipment in 1978. This trend began in 1976 and persisted until after mid-year 1978. Since that time, there appears to have been a considerable upswing in industrial spending particularly, so that the rate of order entry increased markedly and at year end your Corporation's backlog of orders for engineered products was significantly greater than that of the preceding year. This increased activity should be evident in 1979 sales.

The Corporation's performance was further adversely affected by prolonged strikes at two Quebec plants; one for six months and the other for over four months. Because these occurred in the summer months and were not settled until later in the year, it was particularly difficult to respond adequately to the increased level of activity referred to above.

During the year the Corporation produced some interesting, challenging and significant projects for both domestic and overseas customers. These involved further very large transformers for 500 KV, 1200 MVA banks for B.C. Hydro, as well as station service equipment for their new Peace River and Seven Mile generating plants. Extensive switchgear contracts were completed for the Alberta Government Telephone Edmonton Headquarters and the Health Science Building at the University of Alberta in Edmonton. Substantial amounts of switchgear were shipped to Ontario Hydro's Pickering station and for Hydro Quebec's Gentilly II Nuclear plant – the latter being our first major installation of material subjected to seismic tests, similar to what might be expected in the event of an earthquake. Large export shipments went to various countries in Africa, the Middle East, South and Central America and an important mining development in the Philippines.

The demand for transformers by the electrical utility companies was lower than in previous years for several reasons, including a cutback in generating plant construction by many customers. The relative attraction of electricity over other energy forms may well mitigate this in the coming years.

However, the demand for distribution transformers increased over the year, but prices are still at an unsatisfactory, if slightly improved, level.

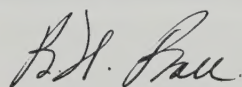
Incoming orders for export increased during the year which will be reflected in shipping levels in 1979 and later. Overseas the U.K. company enjoyed a record year, aided to a great extent by the new facilities completed in 1977. By far the greater part of our U.K. production is directly exported and also some portion of domestic sales is shipped abroad by our local customers. The current problems in the Near East as well as in the U.K. will adversely affect this activity during 1979.

Last year we referred to the 25th Anniversary of the sale of Stab-lok® Circuit Breakers in Canada. Your Corporation conducted a series of promotional events marking this occasion and resulting in an even greater participation in this important market. This market, in spite of lower reported housing starts, has been one of the stronger segments of the business during the year and was enhanced as a result of the strong support the Corporation's products received from distributors, specifiers and the electrical construction industry generally.

It is apparent, therefore, that in spite of all these difficulties the results attained have been generally satisfactory. This was made possible by the consistent and whole-hearted support of a superb group of employees and to them the Directors express their appreciation.

A number of extensions and alterations to our existing facilities are currently underway and important new equipment will be installed during the year. All of this should keep your Corporation poised for continued growth in this important sector of the energy industry.

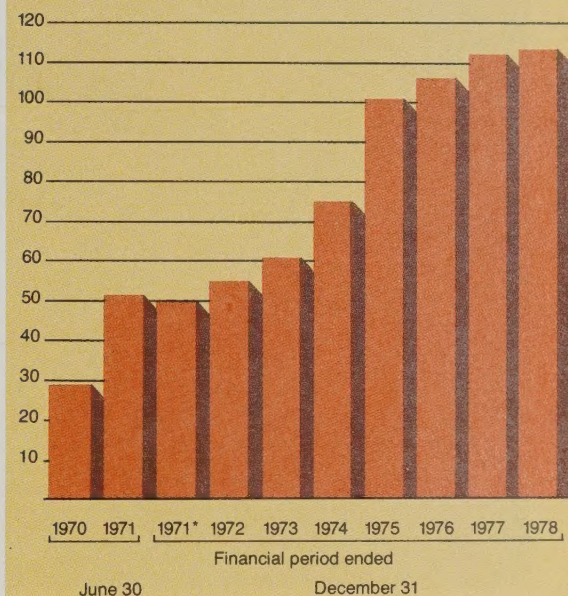
Submitted on behalf of
the Board of Directors



B. W. Ball
President and Chief Executive Officer
March 1979

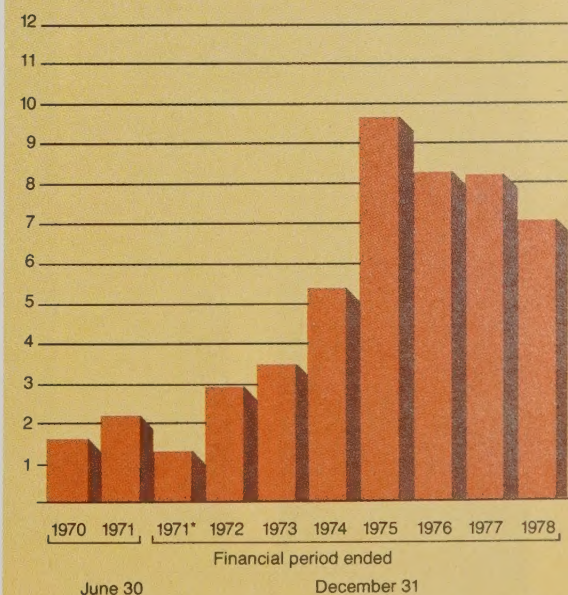
Net Sales

\$ million

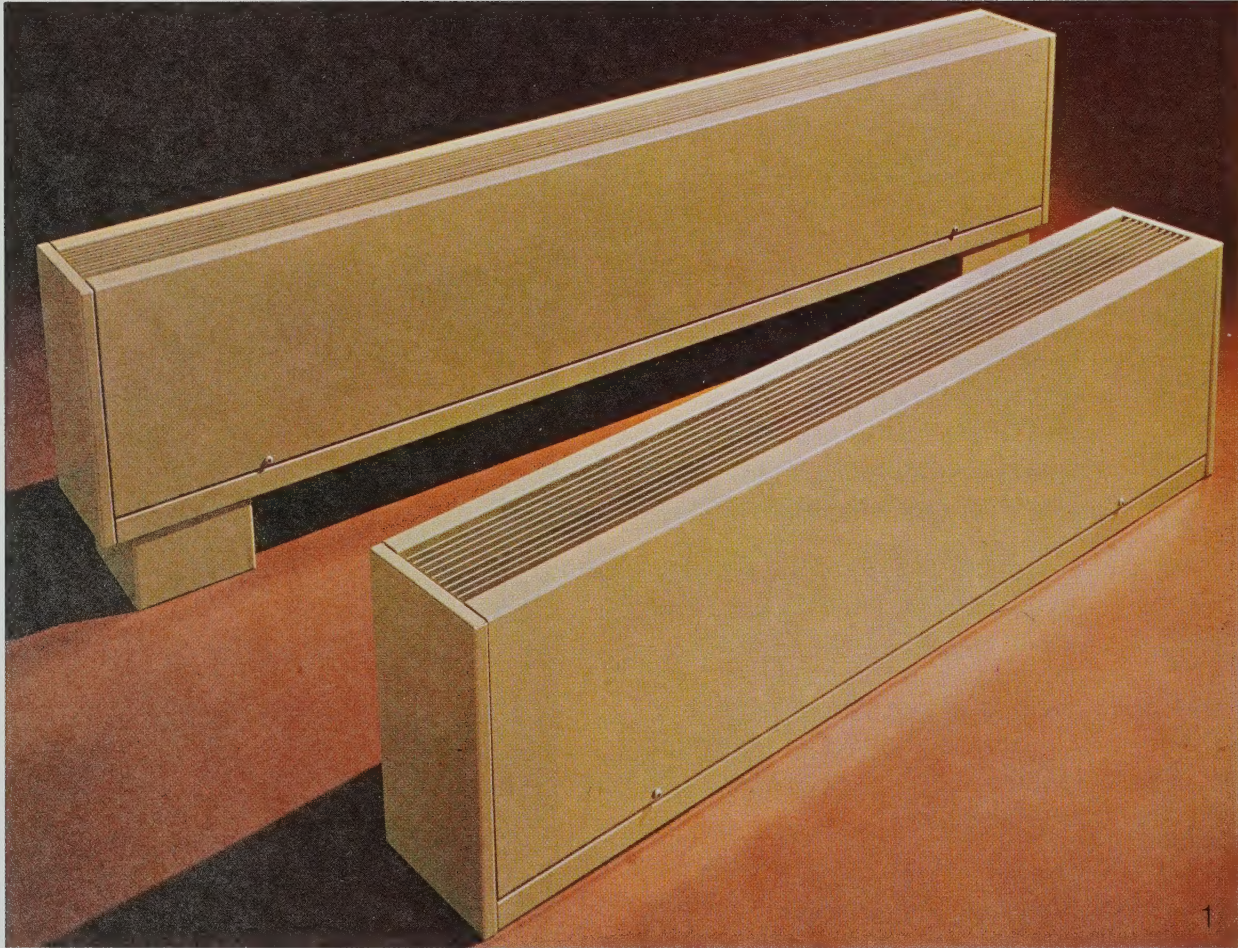


Net Income for the Year

\$ million



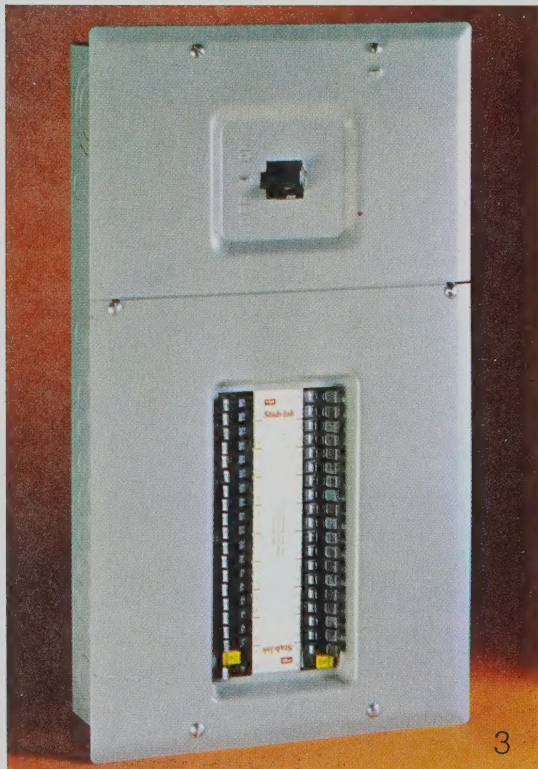
*6 months figures annualized



1



2



3



4



5

Product Highlights

An important part of the Corporation's output consists of standard items generally known as "Shelf Goods" products. These products are stocked by a strong network of electrical distributors and are thus readily available to the installing contractor or user from the distributor's shelf.

Typical of this range of products and illustrated on the facing page are the following:

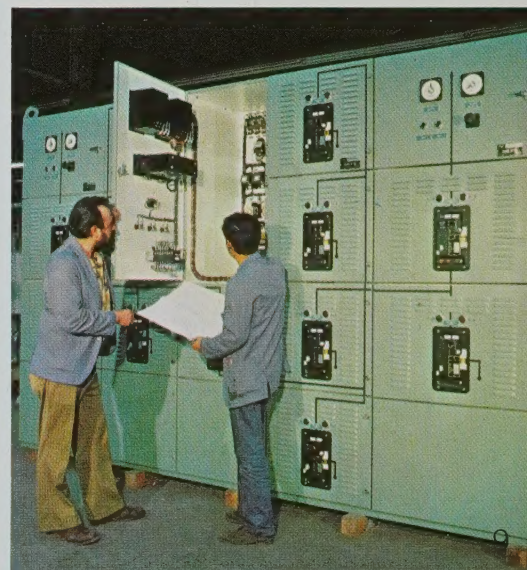
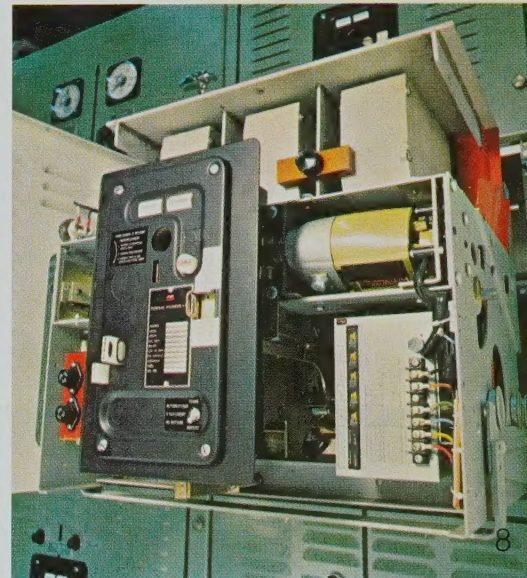
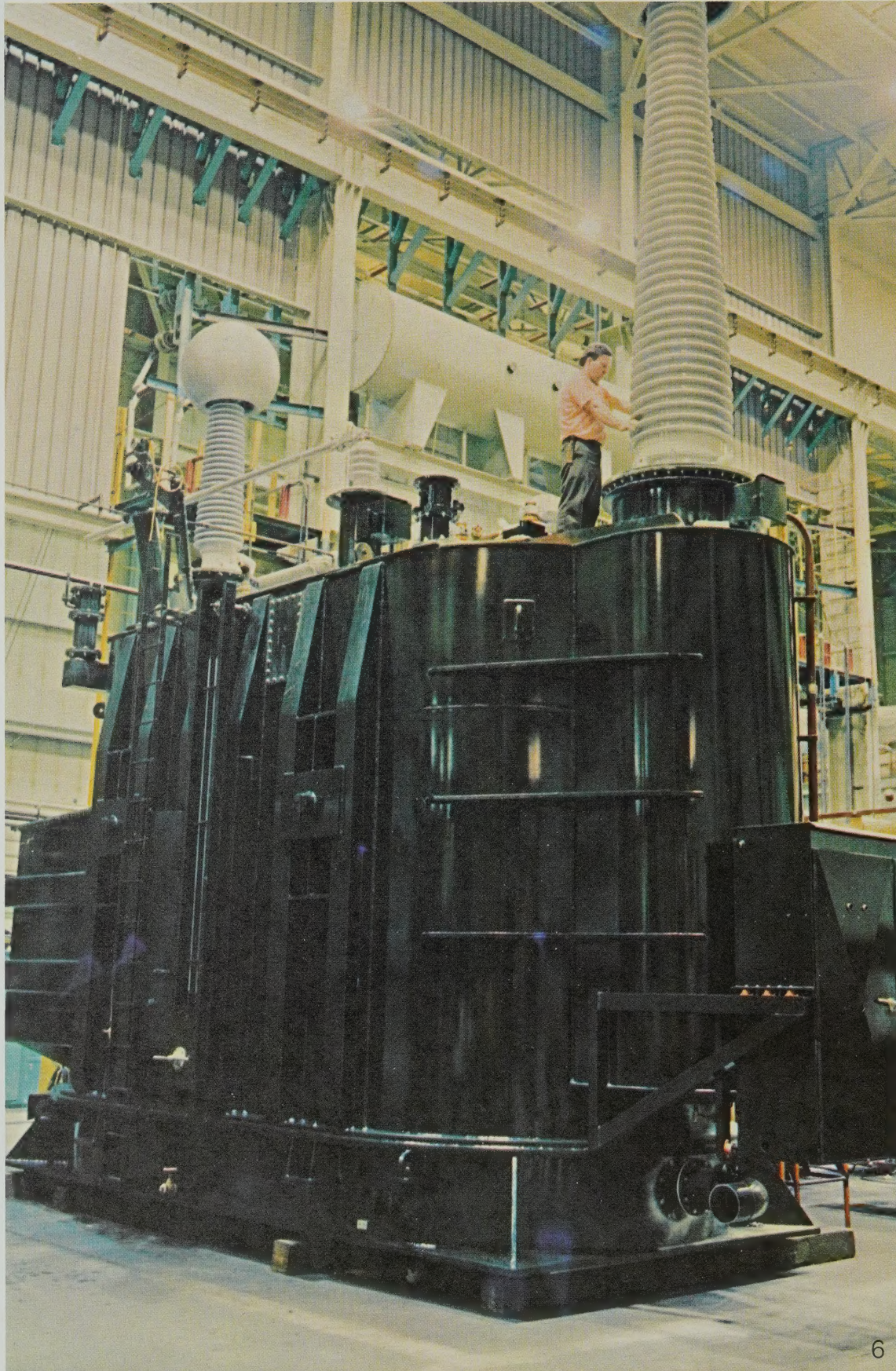
Electrical heating products (photo 1) offer a wide selection of convenient and economical units for use in homes, offices, industry and public buildings. Space heating with electrical energy will continue to be an important market as the energy crisis makes the public more aware of the finite nature of other sources of heating energy.

Switchmatic® safety switches (photo 2) are a commonly used switching device to control an electrical circuit and to provide protection in the event of a fault in the circuit. Safety switches of course are one of the simplest devices employed to control electricity and have been used for a great many years. Modern switches require a high degree of reliability and must meet exacting specifications. Federal Pioneer Limited offers an extensive range and manufactures hundreds of different standard versions to meet market requirements.

Stab-lok® circuit breaker load centres and Stab-lok® breakers (photo 3) offer a convenient and reliable means of providing protection for a large number of electrical circuits in a compact enclosure. This too is a product range that has been consistently up-graded to meet today's requirements for greater interrupting ratings. Significant design improvements have been incorporated without sacrificing the inherent flexibility of the system. This type of design advancement has kept this product the leader in the market.

Econolim® fuses (photo 4) provide an extensive range of fuse ratings which can be used in many applications to ensure safety for electrical machines and wiring. Similar to the previous examples, this is a protective device that has undergone recent design development to improve its characteristics for today's more demanding electrical needs.

Electronically controlled overload relays (photo 5) perform a similar role in more sophisticated circuit protection and are in popular demand by industrial and utility customers. This relay is the result of many months of intensive test by a unique research and development team. It was extensively field tested and has had excellent acceptance in the market place.



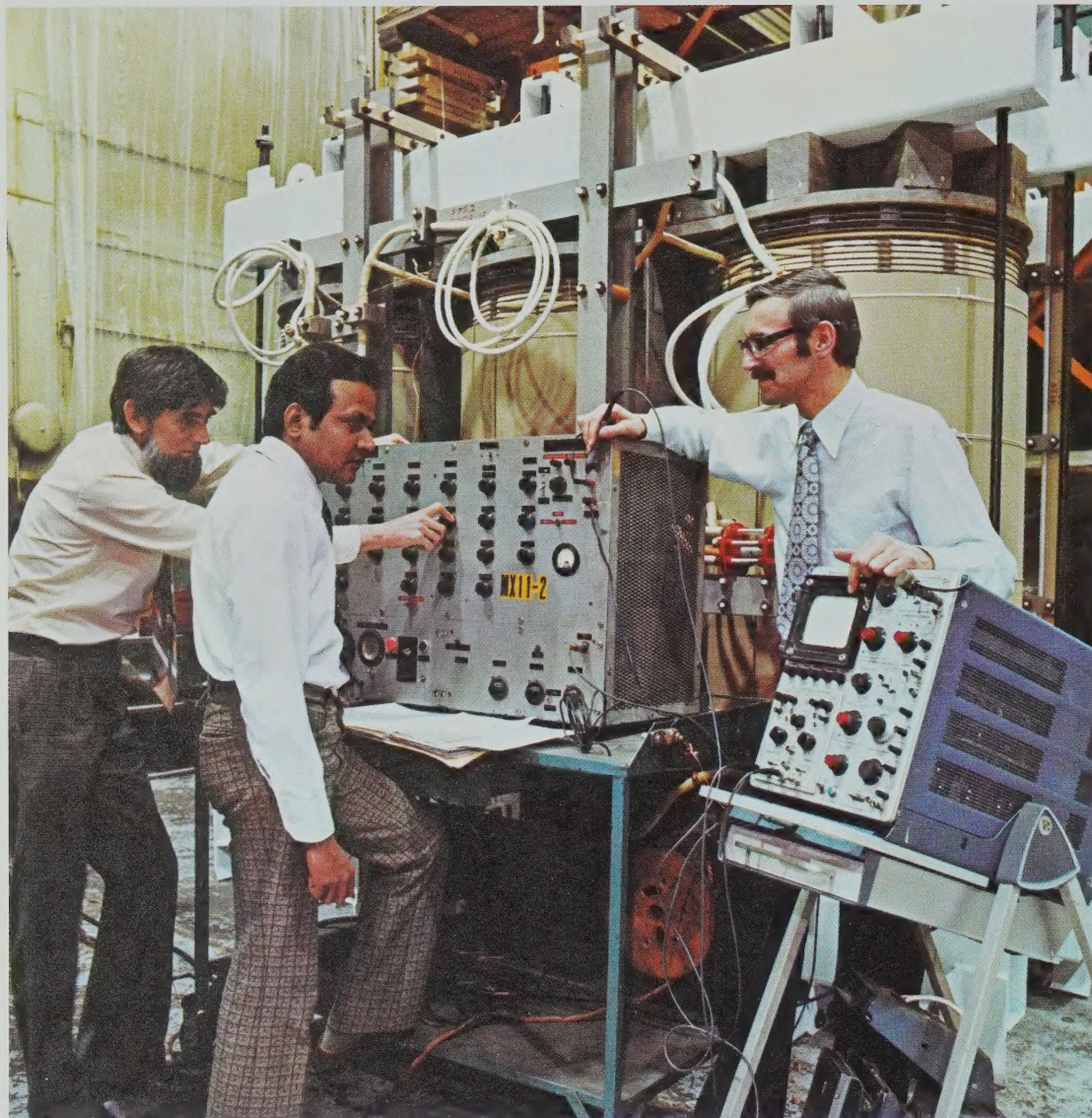
The large power transformer (photo 6) is being prepared for shipment in our Winnipeg Plant. Before shipping, bushings and radiators must be removed and in some cases the transformers have to be mounted on special freight cars with depressed centre sections for low underpasses on the railroad system. The figure of the mechanic on the top of the transformer helps give some indication of the size of the unit. The portion of the factory shown is the test bay and in this location the transformers are subjected to high voltage tests and high load tests in the continuous program of ensuring reliability when the transformer is placed in service. Many of the transformers are shipped without oil and filled with inert gas with the oil being added at site. Even then many of the transformers have shipping weights of 250 tons.

The small distribution transformer (photo 7) typifies products at the lower end of the broad range of transformers produced in the five plants across Canada. Shown here is a product line known in the industry as the Federal Pioneer FH transformer. These are dry type transformers used largely in the construction industry for converting industrial voltages for local lighting and power as required for office equipment and lighting. This product line is sold to electrical distributors who carry the units in stock for immediate delivery. Your Corporation

entered this field of activity only three years ago and the volume of this product line has already become substantial. We believe that it holds a promising future.

Since 1950, your Corporation has occupied a leading position in the manufacture of low voltage air circuit breakers in Canada (photo 8). These are the only breakers completely designed and manufactured in Canada and have been market leaders for many years. Illustrated in this picture is a new version of the circuit breaker, complete with solid state tripping devices, which makes this, perhaps, the most modern breaker being sold anywhere in the world. The range includes all ampere ratings up to 6000 amperes and interrupting capacities up to 100,000 RMS amperes at 600 volts.

This switchboard (photo 9) is typical of the engineered products supplied both to the construction trades and industrial customers in Canada as well as to our export customers. This assembly comprises products of the company in an arrangement designed especially for the needs of the individual customer. With the ever increasing concentrations of power in industry and in commercial buildings, reliability is of utmost importance. Your Corporation has an extensive quality assurance program and two of the engineers responsible for this are shown inspecting a typical assembly in the Richmond, B.C. plant.



Research, Development and Engineering Staff

Your Corporation's products include sophisticated electrical equipment utilized in both nuclear and conventional power generating facilities, hospitals, factories, commercial buildings and homes all over Canada, as well as in similar installations in many different parts of the world. All of these applications demand a reliable and constant source of electrical power. The equipment necessary to provide this reliability has to be researched, designed and manufactured to meet the most rigorous inspection and operating standards of customers who, of necessity, demand superior performance.

FPE also continuously carries out Research and Development both in Canada and in England to ensure that its products include the newest technology and meet changes in the varied needs of our customers.

To successfully meet these highly exacting technical requirements it is essential for FPE to have the services of highly qualified and experienced scientists, engineers and designers. Your Corporation has been successful in building a team of men and women from many different parts of the world who are highly respected in their fields, and many of whom enjoy international reputations for excellence. We are proud to show on these pages photographs of just a few of our Research, Development and Engineering Staff engaged in projects at several of our plants across Canada and in England as a token representation of their many other colleagues engaged in this vital area.



Consolidated Statement of Income and Retained Earnings

	Year ended December 31	
	1978	1977
Net sales	\$112,617,341	\$112,195,355
Income before deducting the undernoted items	\$ 13,625,073	\$ 15,293,553
Deduct:		
Depreciation	1,602,388	1,659,568
Interest on long-term debt	319,097	306,484
Other interest	136,776	167,494
	2,058,261	2,133,546
Income before income taxes and minority interests	11,566,812	13,160,007
Income taxes:		
Current	4,031,543	4,794,523
Deferred	535,546	343,176
	4,567,089	5,137,699
Income before minority interests	6,999,723	8,022,308
Minority share of (losses)/profits	(28,015)	13,955
Net income for the year	7,027,738	8,008,353
Retained earnings at beginning of year	44,258,409	37,146,816
	51,286,147	45,155,169
Deduct: Dividends declared – (Note 7)		
On first preference shares, Series A – \$2.75 per share (1977 – \$2.75)	4,803	58,533
On Class A shares – 88¢ per share (1977 – 73¢)	1,056,469	781,208
On Class B shares – 88¢ per share (1977 – 73¢)	19,807	57,019
	1,081,079	896,760
Retained earnings at end of year	\$ 50,205,068	\$ 44,258,409
Earnings per Class A and Class B share (Note 9)	\$5.76	\$7.01
Fully diluted earnings per share (Note 9)	\$5.71	\$6.51

Auditors' Report

To the Shareholders of
Federal Pioneer Limited:

We have examined the consolidated balance sheet of Federal Pioneer Limited as at December 31, 1978 and the consolidated statements of income and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at December 31, 1978 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PRICE WATERHOUSE & CO. Chartered Accountants Toronto
February 2, 1979

Consolidated Balance Sheet

	December 31	
ASSETS	1978	1977
Current assets:		
Cash (including deposit receipts of \$10,500,000; 1977 – \$5,500,000)	\$12,554,863	\$ 7,797,910
Accounts receivable	23,952,620	21,723,476
Receivable from affiliated companies	51,826	102,794
Inventories (Note 3)	31,237,282	28,966,206
Prepaid expenses, tender and other deposits	674,370	703,655
	68,470,961	59,294,041
Fixed assets (Note 4)	10,798,095	10,425,166
Goodwill (Note 2)	1,603,281	1,603,281
	\$80,872,337	\$71,322,488
LIABILITIES		
Current liabilities:		
Bank indebtedness (Note 5)	\$ 1,361,855	\$ 981,495
Accounts payable and accrued liabilities	12,345,611	9,539,634
Payable to affiliated companies	595,652	1,681,270
Income and other taxes payable	1,121,616	1,087,318
Dividends payable	270,432	304,726
	15,695,166	13,594,443
Deferred income taxes	2,796,489	2,260,943
Long-term debt (Note 6)	5,022,397	4,027,461
Minority interests	46,085	74,100
SHAREHOLDERS' EQUITY		
Share capital (Note 7)	7,107,132	7,107,132
Retained earnings	50,205,068	44,258,409
	57,312,200	51,365,541
	\$80,872,337	\$71,322,488

APPROVED BY THE BOARD:

B. W. BALL, Director J. B. CLEMENTS, Director

Consolidated Statement of Changes in Financial Position

	Year ended December 31	
	1978	1977
Source of working capital:		
Net income for the year	\$ 7,027,738	\$ 8,008,353
Items not requiring working capital –		
Depreciation	1,602,388	1,659,568
Deferred income taxes	535,546	343,176
Minority share of (losses)/profits	(28,015)	13,955
Working capital provided from operations	9,137,657	10,025,052
Proceeds from long-term bank loan of foreign subsidiary	1,401,840	–
Disposals of fixed assets	21,814	6,259
	10,561,311	10,031,311
Use of working capital:		
Fixed asset additions, less Government assistance grants of \$154,815 (1977 – \$200,837)	1,997,131	1,530,309
Dividends	1,081,079	896,760
Reduction in long-term debt	406,904	192,511
	3,485,114	2,619,580
Increase in working capital	7,076,197	7,411,731
Working capital at beginning of year	45,699,598	38,287,867
Working capital at end of year	\$52,775,795	\$45,699,598
Working capital is represented by:		
Current assets	\$68,470,961	\$59,294,041
Less: Current liabilities	15,695,166	13,594,443
	\$52,775,795	\$45,699,598

Notes to Consolidated Financial Statements – December 31, 1978

1. Nature of business:

The Corporation has been continued under the Canada Business Corporations Act and together with its subsidiaries is engaged in the manufacture and sale of electrical equipment. The Directors of the Corporation have determined at a meeting of Directors that the Group has only one class of business and have so recorded the same in the minutes of that meeting.

Net earnings and net assets employed in operations outside of Canada – mainly in Great Britain – are less than 10% of the total for the Group.

2. Significant accounting policies:

The accompanying financial statements include the accounts of Federal Pioneer Limited and all of its subsidiary companies. Four foreign subsidiaries have fiscal years ending September 30 and their accounts are included as of that date.

Foreign currencies have been translated into Canadian dollars as noted below in accordance with Recommendation 1650 of the Canadian Institute of Chartered Accountants. The impact of the change in the basis of translation from that of prior years is not significant.

Current monetary assets and liabilities and long-term debt – at the exchange rates prevailing on the balance sheet dates.

Fixed assets, inventories, prepaid expenses, retained earnings and depreciation expense – at the appropriate historical exchange rates.

Revenue and expenses – at the approximate rate of exchange at the time of the transaction.

Revenue and expenses (other than depreciation) of the foreign subsidiaries – at the average exchange rate for the fiscal year.

Raw material inventories are valued at the lower of cost and replacement cost while work in process and finished goods are valued at the lower of cost and net realizable value, cost being determined generally by the first-in, first-out (FIFO) method but with certain inventories being valued on an 'average' basis.

Fixed assets are stated at cost. Expenditures on major replacements, extensions and improvements are capitalized. Cost of maintenance, repairs and renewals or replacements other than those of a major nature are charged to expense as incurred. The Corporation and its subsidiaries provide for depreciation generally using the diminishing balance method applying rates which will reduce the original cost to the estimated residual value over the useful lives of the assets. The annual rates used are 5%-10% for buildings and 20% for machinery and equipment. Moulds, jigs and dies are fully depreciated in the year of acquisition.

Goodwill, which represents the excess of cost of shares of subsidiaries over net book value at dates of acquisition, is not being amortized as no impairment in value is considered to have taken place.

In accordance with generally accepted accounting principles the Corporation and its subsidiaries follow the deferral method of tax allocation.

Research and development costs are expensed in the period in which the costs are incurred.

3. Inventories:

	December 31	
	1978	1977
Raw material and work in process	\$28,444,111	\$26,316,392
Finished goods	3,306,588	3,817,344
	31,750,699	30,133,736
Less: Progress payments	(513,417)	(1,167,530)
	<u>\$31,237,282</u>	<u>\$28,966,206</u>

4. Fixed assets:

	December 31	
	1978	1977
Cost –		
Land	\$ 364,919	\$ 364,919
Buildings	8,069,555	8,151,141
Machinery and equipment	16,336,624	14,460,938
	<u>24,771,098</u>	<u>22,976,998</u>
Accumulated depreciation –		
Buildings	3,480,413	3,174,178
Machinery and equipment	10,492,590	9,377,654
	<u>13,973,003</u>	<u>12,551,832</u>
Net book value –		
Land	364,919	364,919
Buildings	4,589,142	4,976,963
Machinery and equipment	5,844,034	5,083,284
	<u>\$10,798,095</u>	<u>10,425,166</u>

5. Bank indebtedness:

Bank indebtedness of a foreign subsidiary amounting to \$2,535,000 (1977 – \$981,495) is secured by a floating charge on all of its assets. Of this sum \$1,202,000 is payable after one year and is included as a long-term debt.

6. Long-term debt:

	December 31	
	1978	1977
6¾% secured sinking fund debentures, Series A, maturing April 15, 1987, with annual sinking fund payments of \$167,000 in 1979 and thereafter gradually increasing to \$267,000 in 1986. The balance of \$1,505,000 is payable at maturity	\$3,214,000	\$3,370,000
10% mortgage loan repayable in monthly instalments maturing in 1990	534,703	547,122
6¾% mortgage loan repayable in monthly instalments maturing in 1989	235,550	249,768
8¾% chattel mortgage loan of subsidiary repayable in monthly instalments maturing in 1982	43,208	53,082
Bank loan of a foreign subsidiary repayable by equal half-yearly instalments over seven years with interest payable at 1¾% above the base rate secured by a floating charge on all of its assets	1,401,840	–
	<u>5,429,301</u>	<u>4,219,972</u>
Amount payable within one year included in current liabilities	406,904	192,511
Amount payable after one year	<u>\$5,022,397</u>	<u>\$4,027,461</u>

The aggregate amount of long-term debt required to be repaid in each of the next five years is:

1979	\$ 406,904
1980	421,312
1981	438,021
1982	449,118
1983	458,305
	<u>\$2,173,660</u>

The 6¾% secured sinking fund debentures, Series A, are secured by a Deed of Trust and Mortgage which, inter alia, provides for dividend restrictions under certain conditions. The financial position of the Corporation is such that these restrictions are not applicable at this time.

7. Share capital:

The Corporation is authorized to issue:

Class A shares without nominal or par value; Class B shares without nominal or par value; and 200,000 First Preference shares issuable in one or more series of which 80,000 are designated as 5½% Cumulative Convertible First Preference shares, Series A.

Shares outstanding:

	December 31	
	1978	1977
904 5½% Cumulative convertible first preference shares, Series A, voting (1977 – 9,434 shares)	\$ 45,200	\$ 471,700
1,203,903 Class A shares, voting (1977 – 1,114,183 shares)	7,044,395	6,574,594
22,508 Class B shares, convertible, voting (1977 – 78,108 shares)	17,537	60,838
	<u>\$7,107,132</u>	<u>\$7,107,132</u>

5½% cumulative convertible first preference shares, Series A –

Each first preference share, Series A, is convertible into four Class A shares up to and including January 15, 1979. The first preference shares, Series A, are entitled to a dividend of \$2.75 per share per annum and are redeemable at any time at the option of the Corporation at \$51.00 per share. As at January 16, 1979 there remained outstanding 232 first preference shares, Series A.

Class B shares –

Up to 55,600 Class B shares may be converted during each dividend year (a twelve month period commencing on February 4 in each year) into Class A shares on a share for share basis provided certain conditions have been met with respect to earnings and payment of Class A share dividends. After the Class A shares have received dividends aggregating 56 cents per share and the Class B shares have received dividends aggregating 5.6 cents per share in any dividend year, the Class B shares are entitled to receive additional dividends aggregating 50.4 cents per share before any further dividends are paid on the Class A shares.

Dividends in excess of 56 cents per share are to be paid equally on both classes of shares.

Changes in share capital during the year –

8,530 5½% cumulative convertible first preference shares, Series A

were converted into 34,120 Class A shares at the stated value of \$426,500. This conversion reduced the outstanding first preference share capital by 8,530 shares and increased the outstanding Class A share capital by 34,120 shares. 55,600 Class B shares held by the parent company, Federal Pacific Electric Company, were converted into Class A shares in accordance with the conversion privilege referred to above. This conversion reduced the outstanding Class B shares and increased the outstanding Class A shares each by 55,600 shares at a stated value of \$43,301.

8. Remuneration of directors and senior officers:

The aggregate direct remuneration paid to all the directors and senior officers during the year amounted to \$595,728 (1977 – \$557,102).

9. Earnings per share:

The calculations of earnings per share shown in the consolidated statement of income and retained earnings are based on the weighted average number of shares outstanding during each year. Dividends declared on the preference shares were deducted from consolidated earnings for purposes of the calculations.

The calculations of fully diluted earnings per share assume the conversion of all preference shares (Note 7).

10. Long-term leases:

The Corporation and its subsidiaries are lessees under long-term leases (leases with an unexpired term in excess of three years) for plants, warehouses and sales offices. The longest term of any such lease expires in 2002. The rentals payable on such properties in 1979 will be \$220,000 (1978 – \$287,000) and the aggregate rentals payable for the unexpired terms will be \$4,252,000 (1977 – \$4,233,000).

11. Unfunded pension costs:

Current service costs of the Corporation's various pension plans are funded and charged to operations as they accrue. Based upon an estimate by independent actuaries, unfunded past service pension costs at December 31, 1978 amounted to approximately \$439,000 (1977 – \$357,000) of which \$300,000 (1977 – \$200,000) related to vested past service benefits. Annual payments of \$37,200 (1977 – \$28,720) charged to operations are designed to fund this total unfunded liability, including interest, by 2001. In addition \$120,000 (1977 – \$180,000) remains to be charged to operations over the next two years, being the balance of a payment made in 1976 to meet a previous unfunded pension liability.

12. Anti-Inflation Act:

The Corporation and its subsidiary companies trading in Canada were subject to and consider that they have complied with the controls on prices, profits, compensation and dividends instituted by the Federal Government in the Anti-Inflation Act effective October 14, 1975. None of these controls applies after December 31, 1978.

13. The Companies Act of British Columbia:

These financial statements comply with the disclosure requirements of the Canada Business Corporations Act and The Securities Act of Ontario, but do not purport to comply with all disclosure requirements unique to the Companies Act of British Columbia.

Five year summary

	Year ended December 31				
	1978	1977	1976	1975	1974
Net sales	\$112,617,341	\$112,195,355	\$106,928,849	\$100,197,052	\$ 75,216,769
Income before income taxes, minority interests and extraordinary items	11,566,812	13,160,007	14,367,567	16,588,877	8,624,064
Income taxes	4,567,089	5,137,699	6,151,362	7,059,779	3,791,125
Net income after income taxes and minority interests but before extraordinary items	7,027,738	8,008,353	8,204,332	9,521,571	4,824,294
Net income for the year	7,027,738	8,008,353	8,204,332	9,521,571	5,376,110
Net income per sales dollar (cents)	6.2	7.1	7.7	9.5	7.1
Earnings per Class A and B share before extraordinary items:					
Undiluted	5.76	7.01	7.24	8.47	4.29
Fully diluted	5.71	6.51	6.67	7.74	3.92
Earnings per Class A and B share after extraordinary items:					
Undiluted	5.76	7.01	7.24	8.47	4.79
Fully diluted	5.71	6.51	6.67	7.74	4.37
Dividends declared:					
First preference shares	4,803	58,533	73,379	79,683	83,588
Class A shares	1,056,469	781,208	719,347	517,898	483,581
Class B shares	19,807	57,019	195,797	134,035	165,171
Total	1,081,079	896,760	988,523	731,616	732,340
Dividends per share:					
First preference shares	2.75	2.75	2.75	2.75	2.75
Class A shares	0.88	0.73	0.73	0.56	0.56
Class B shares	0.88	0.73	1.234	0.56	0.56
Property, plant and equipment – at cost	24,771,098	22,976,998	21,470,700	19,917,433	16,156,765
– net	10,798,095	10,425,166	10,560,684	10,970,475	8,526,061
Purchases of property, plant and equipment during the year	1,997,131	1,530,309	1,570,420	3,787,611	3,072,204
Depreciation provided for the year	1,602,388	1,659,568	1,971,750	1,322,854	1,090,025
Working capital at end of year	52,775,795	45,699,598	38,287,867	30,358,096	24,274,995
Long-term debt at end of year	5,022,397	4,027,461	4,219,972	4,436,104	5,015,591
Shareholders' equity at end of year	57,312,200	51,365,541	44,253,948	37,038,139	28,248,184
Number of shares outstanding at end of year:					
First preference shares	904	9,434	26,207	28,698	30,347
Class A shares	1,203,903	1,114,183	991,491	925,927	863,731
Class B shares	22,508	78,108	133,708	189,308	244,908
Equity per Class A and B share at end of year after allowing for conversion of all outstanding first preference shares	46.59	41.76	35.98	30.11	22.97

Directors

*BENJAMIN W. BALL, *Toronto*
President and Chief Executive Officer of the Corporation and a Director of Federal Pacific Electric Company

*JOHN B. CLEMENTS, Q.C., *Toronto*
Partner, Lash, Johnston (barristers and solicitors)

ROGER D. GARON, *St. Hyacinthe, Quebec*
Vice-Chairman of the Board of the Corporation and President and Director of Aronelle Textiles Ltd.

MARTIN HORWITZ, *New York*
Chairman of the Board and Chief Executive Officer of UV Industries, Inc. and Chairman of the Board of Federal Pacific Electric Company

EDWIN JACOBSON, *New York*
President and Director of UV Industries, Inc. and a Director and Chairman of the Executive Committee of the Board of Federal Pacific Electric Company

RICHARD NOONAN, *Newark, N.J.*
Chairman of the Board of the Corporation and a Senior Vice-President and Director of Federal Pacific Electric Company

*JACOB S. VANDERPLOEG, *Toronto*
Retired Executive

*Members of the Audit Committee

Officers

RICHARD NOONAN, *Newark, N.J.*
Chairman of the Board

ROGER D. GARON, *St. Hyacinthe, Quebec*
Vice-Chairman of the Board

BENJAMIN W. BALL, *Toronto*
President and Chief Executive Officer

A. GORDON DALEY, *Toronto*
Vice-President and General Manager – Distribution Division

BERNARD J. FERREIRA, *Toronto*
Vice-President Manufacturing – Distribution Division

FRANK H. FERRIS, *Wolverhampton, England*
Vice-President and Managing Director of Federal Electric Limited, England

EDWARD C. MARKWICK, *Toronto*
Vice-President Finance and Secretary

STANLEY M. ROBERTS, *Toronto*
Vice-President and General Manager – Distribution and Small Power Transformers

KENNETH J. THOMPSON, *Toronto*
Vice-President Marketing

CHARLES A. WRIGHT, *Toronto*
Comptroller and an Assistant Secretary

JAMES H. TAYLOR, *Winnipeg*
An Assistant Secretary

Registered Office:

19 Waterman Avenue
 Toronto, Ontario, M4B 1Y2

Principal Subsidiary Companies:

	Percentage of voting securities owned
Federal Electric Limited Wolverhampton, England	97½
Federal Pioneer Eastech Limited Truro, Nova Scotia	100
La Compagnie Electrique Pioneer du Quebec, Inc. Granby, Quebec	100

Principal Affiliated Companies:

Ultimate Parent Company –

UV Industries, Inc.
 New York, New York, U.S.A.

Parent Company –

Federal Pacific Electric Company
 Newark, New Jersey, U.S.A.

Others –

Cornell-Dubilier Electric Corporation
 Newark, New Jersey, U.S.A.

Cornell-Dubilier Electronics (Canada) Limited
 Toronto, Ontario

Cornell-Dubilier Electronics
 Taipei, Taiwan

Federal Pacific Electric de Mexico, S.A. de C.V.
 Mexico City, Mexico

Federal Pacific Electric Ges. m.n.H.
 St. Martin/Innkreis, Austria

Share Listings:

Class A Shares – The Toronto Stock Exchange –
 symbol FPE.A

First preference shares, Series A – The Toronto Stock
 Exchange – symbol FPE.PR.C.

Registrars and Transfer Agents:

First preference shares, Series A –
 The Canada Trust Company

Toronto, Montreal, Winnipeg and Vancouver

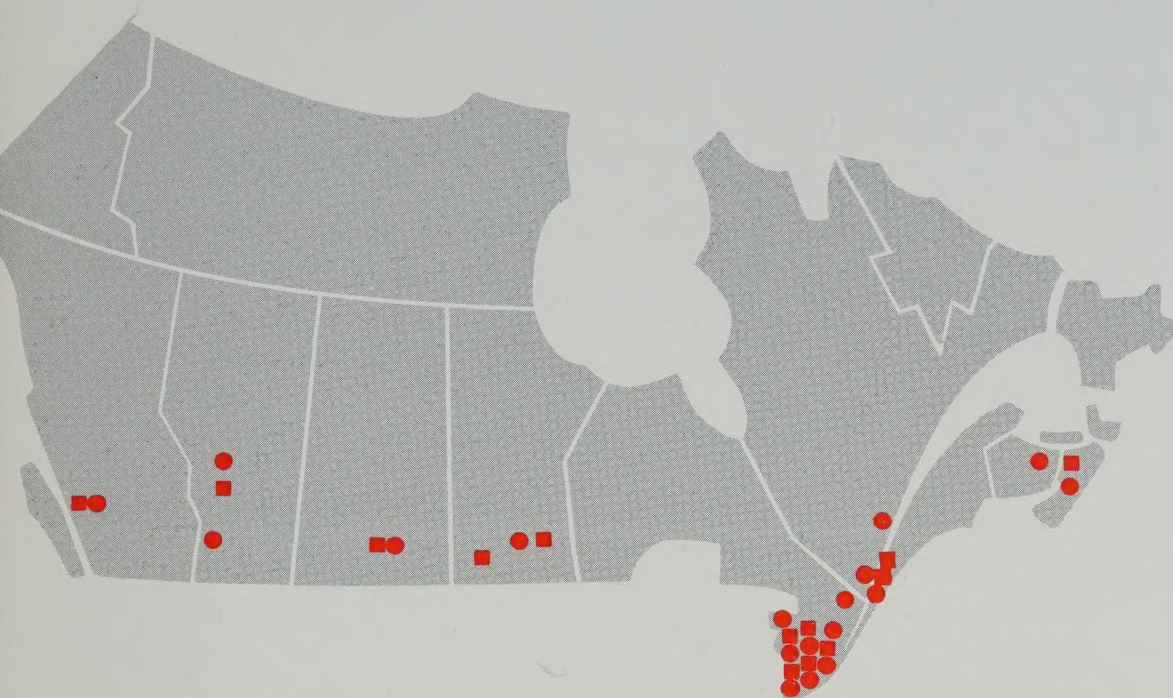
Class A Shares – National Trust Company, Limited
 Toronto, Montreal, Winnipeg and Vancouver

Class B Shares – The Corporation

6¾% secured sinking fund debentures, Series A –
 The Canada Trust Company
 Toronto, Montreal, Winnipeg and Vancouver

Trustees for the Debenture Holders:

The Canada Trust Company, Toronto



● Sales Offices

■ Plants

- 1541 Barrington Street, Halifax
Nova Scotia B3J 1Z5
- P.O. Box 700, Willow Street
Truro, Nova Scotia B2N 5E5
- P.O. Box 2698
Moncton, New Brunswick
E1C 8T8
- 2900 Quatre Bourgeois Street
Suite 103
Ste. Foy, Quebec G1V 1Y4
- P.O. Box 550, 561 Maisonneuve
Street
Granby, Quebec J2G 3H5
- P.O. Box 272, Bernard Road
Granby, Quebec J2G 8E5
- 3333 Cavendish Boulevard
Montreal, Quebec H4B 2M5
- 2668 Alta Vista Drive, Suite 205
Ottawa, Ontario K1V 7T4
- 19 Waterman Avenue
Toronto, Ontario M4B 1Y2
- 35 Mobile Drive
Toronto, Ontario M4A 2P6
- 445 Horner Avenue
Toronto, Ontario M8W 2A7
- 8 Finley Road
Bramalea, Ontario L6T 1A9

- 225 Orenda Road
Bramalea, Ontario L6T 1E6
- P.O. Box 353, 2445 Industrial Street
Burlington, Ontario L7P 3E1
- 160 Roger Street
Waterloo, Ontario N2J 3Z6
- 425 Dundas Street
London, Ontario N6B 1V9
- 101 Rockman Street
Winnipeg, Manitoba R3T 0L7
- 1255 Clarence Avenue
Fort Garry, Manitoba R3T 1T4
- P.O. Box 550, 914 Douglas Street
Brandon, Manitoba R7A 5Z7
- P.O. Box 336, 1600 First Avenue
Regina, Saskatchewan S4P 3A1
- 7144 Fisher Street S.E.
Calgary, Alberta T2H 0W5
- 12019 – 160 Street
Edmonton, Alberta T5L 4R2
- P.O. Box 738, 5727 – 53A Avenue
Red Deer, Alberta T4N 5H2
- 2551 Viking Way
Richmond, British Columbia
V6V 1N4

- Fordhouse Road
Wolverhampton, England
WV10 9ED



by Federal

Report to Shareholders

For the six months ended June 30, 1978

File
FEDERAL PIONEER LIMITED
 and Subsidiary Companies

EN FRANÇAIS AU VERSO

INTERIM FINANCIAL REPORT

Unaudited

	For the six months ended June 30	
	1978	1977
Net sales	\$55,548,758	\$57,010,831
Income before income taxes	\$ 6,038,430	\$ 5,928,095
Income taxes	2,335,981	2,417,070
Net income	\$ 3,702,449	\$ 3,511,025
Earnings per Class A and Class B share	\$3.04	\$3.08
Fully diluted earnings per share	3.01	2.85

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

Unaudited

	For the six months ended June 30	
	1978	1977
Source of working capital:		
Net income for the period	\$ 3,702,449	\$ 3,511,025
Items not requiring working capital –		
Depreciation	851,168	811,684
Deferred income taxes	50,506	107,620
Minority share of profits	5,732	2,508
Working capital provided from operations	4,609,855	4,432,837
Use of working capital:		
Fixed asset additions – net	838,142	814,594
Dividends	531,412	394,692
Reduction in long-term debt	198,452	152,192
	1,568,006	1,361,478
Increase in working capital	3,041,849	3,071,359
Working capital at beginning of period	45,699,598	38,287,867
Working capital at end of period	\$48,741,447	\$41,359,226

FEDERAL PIONEER LIMITED

NOTICE OF CHANGE OF ADDRESS

IF YOUR ADDRESS HAS BEEN CHANGED PLEASE FILL IN AND MAIL THIS FORM TO:

For First Preference Shareholders

CANADA TRUST COMPANY, 110 Yonge Street, Toronto M5C 1T4

For Class A Shareholders

NATIONAL TRUST COMPANY, LIMITED, 21 King Street East, Toronto M5C 1B3

STOCK REGISTERED IN NAME OF (TYPE OR PRINT)

NEW ADDRESS

OLD ADDRESS

DATE

Signature of Shareholder
 (Sign name exactly as it appears on share certificate)



Rapport aux actionnaires

Pour les six mois arrêtés au 30 juin 1978

FEDERAL PIONEER LIMITED

ENGLISH ON REVERSE

RAPPORT FINANCIER INTÉRIEURE

Non vérifié

Pour les six mois arrêtés au 30 juin	
1978	1977
\$55,548,758	\$57,010,831
\$6,038,430	\$ 5,928,095
2,335,981	2,417,070
\$ 3,702,449	\$ 3,511,025
\$3.04	\$3.08
3.01	2.85
Bénéfice par action de Classes A et B	
Bénéfice dilué par action	

ÉTAT CONSOLIDÉ DE L'ÉVOLUTION DE LA SITUATION FINANCIÈRE

Non vérifié

Pour les six mois arrêtés au 30 juin	
1978	1977
\$ 3,702,449	\$ 3,511,025
851,168	811,684
50,506	107,620
5,732	2,508
4,609,855	4,432,837
Fonds de roulement provenant de l'exploitation	
Affection du fonds de roulement :	
Immobilisations nouvelles – net	
Dividendes	
Réduction de la dette à long terme	
1,568,006	1,361,478
3,041,849	3,071,359
45,699,598	38,287,867
\$48,741,447	\$41,359,226

FEDERAL PIONEER LIMITED

AVIS DE CHANGEMENT D'ADRESSE

SI VOUS AVEZ CHANGÉ D'ADRESSE, VEUILLEZ REMPLIR ET ENVOYER CETTE FORMULE A :

Pour les titulaires d'actions privilégiées
CANADA TRUST COMPANY, 110 Yonge Street, Toronto M5C 1T4

Pour les titulaires d'actions de classe A

NATIONAL TRUST COMPANY, LIMITED, 21 King Street East, Toronto M5C 1B3

ACTION INSCRITE AU NOM DE (EN LETTRES MOULÉES OU DACTYLOGRAPHIÉES)

ADRESSE

ANCIENNE ADRESSE

DATE

Signature de l'actionnaire
(La signature doit être identique à celle du
certificat d'action)